

AUTHORIZING A DEPOSITORY FOR KLAMATH TRIBAL LOAN FUNDS

JULY 3, 1952.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. McMULLEN, from the Committee on Interior and Insular Affairs,
submitted the following

REPORT

[To accompany H. R. 3363]

The Committee on Interior and Insular Affairs, to whom was referred the bill (H. R. 3363) to authorize a depository for Klamath tribal loan funds, having considered the same, reports favorably thereon with amendments and recommends that the bill do pass.

The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

AMENDMENTS TO H. R. 3363

That the Secretary of the Interior is authorized to advance funds from the reimbursable loan fund established by section 2 of the Act of August 28, 1937 (50 Stat. 872, 25 U. S. C., sec. 531), as amended, to a bonded officer of the Klamath Tribal Loan Board upon request of the General Council of the Klamath and Modoc Tribes and the Yahooskin Band of Snake Indians (hereinafter referred to as the "Klamath Tribes"), for deposit in a National or State bank or banks insured by the Federal Deposit Insurance Corporation and designated by the Board. Disbursements from the bank depository may be made by a bonded representative of the Klamath Tribal Loan Board for payment of administrative expenses of the Board, and for the purpose of making loans to members and associations of members of the Klamath Tribes for any purpose which will promote their economic development, for educational advancement, for financial assistance in cases of illness, death, or other emergency, and for the maintenance and support of the aged, infirm, and incapacitated members.

SEC. 2. Repayments on loans made by the Klamath Tribal Loan Board from its bank depository under section 1 of this Act, and interest, service fees, and other charges on such loans shall be deposited in the bank depository and be available for further loans by the Board, and for the payment of administrative expenses.

SEC. 3. Acceptance of funds by the Klamath Tribal Loan Board pursuant to this Act shall relieve the Secretary of his trust as to funds advanced and accruals thereto.

EXPLANATION OF THE BILL

The bill, as amended, has as its purpose the authorization to the Klamath Indians of Oregon the use of their funds for making loans to the members of the tribe. This measure may well be considered a step in the direction of terminating governmental supervision and control over the Klamath Indians in that the measure gives to the Klamath Loan Board the authority to make loans from their loan fund without the supervision of the Secretary of the Interior.

The act of August 28, 1937 (50 Stat. 872) authorizes the Secretary of the Interior to establish a reimbursable loan fund in the Treasury of the United States from tribal funds belonging to the Klamath Tribe. The fund, as created, is administered by a loan board composed of not to exceed five members of the Klamath Tribe, all of whom are elected by adult members of the Klamath Tribe for terms of 3 years. The purpose of the fund is to make available loans to individual members of the tribe for industrial and agricultural assistance and construction and improvement of homes, including purchase of land, equipment, livestock, tools, household goods, or other equipment or supplies necessary to fit the Indians for farming, livestock raising, for educational advancement, and for financial assistance in cases of illness, death, or other emergency. Upon approval of loan, disbursement is made by a Government disbursing officer, each loan agreement is assigned a Government contract number and repayment is made to the Government disbursing officer for deposit in the United States Treasury. In short, accounting and collecting are largely responsibilities of the Federal Government. Practically speaking, the present law gives the loan board considerable authority but reserves to the Federal Government the actual responsibility for administration of the fund. This is done under rules and regulations prescribed by the Secretary of the Interior pursuant to the act of August 28, 1937.

This bill provides that upon the request of the Klamath General Council, funds on deposit in the Treasury to the credit of the reimbursable loan fund be advanced to a bonded representative of the loan board for deposit in a National or State bank. Under the provisions of the bill, when a loan is made disbursements will be made from the bank depository. Repayments on loans, including interest and other charges collected thereon, would be deposited in the bank depository and be available for further loans or the payment of administrative expenses.

The committee amended the bill pursuant to the suggestion of the Department of the Interior except that the committee did not follow the recommendation of the Secretary of the Interior wherein he suggested that the Secretary be permitted to prescribe rules and regulations with respect to the advancement of funds to the board. It is the belief of the committee that the Congress should initiate a program with these Indians to encourage their absolute administration over their own affairs without supervision or control of the Secretary of the Interior. The procedure as contemplated by the bill will give to the Congress a good demonstration of the ability of the Indians to handle their own funds without the direction of the Secretary of the Interior.

It is felt that this tribe is one of the best to test with respect to the Indians' management of their own financial affairs. The committee therefore unanimously reports and urges the passage of the bill.

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The favorable report of the Department of the Interior reads as follows:

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D. C., March 4, 1952.

HON. JOHN R. MURDOCK,
*Chairman, Committee on Interior and Insular Affairs,
House of Representatives.*

MY DEAR MR. MURDOCK: Reference is made to your request for a report on H. R. 3363, a bill to authorize a depository for Klamath tribal loan funds.

I am in favor of the principles embodied in this measure, and recommend the enactment of H. R. 3363 with the revisions embodied in the enclosed redraft of the bill.

The act of August 28, 1937 (50 Stat. 872), authorized the establishment of a reimbursable loan fund on the books of the Treasury from tribal funds of the Klamath Indians. As of June 30, 1950, there was an available balance, including interest, of \$162,202.28 in the fund, and loans receivable totaled \$401,999.89. The fund is administered by a loan board composed of three Indians elected by the Klamath General Council for terms of 3 years. When loans from the fund are approved, disbursements are made by a bonded Government disbursing officer. Each loan agreement is assigned a Government contract number. Repayments are made to the bonded Government disbursing officer and are deposited in the Treasury.

Under the present procedure, the Loan Board has considerable authority without responsibility. Accounting for the fund and collections are largely the responsibility of Government employees.

The revisions embodied in the enclosed redraft are for the purpose of clarifying the procedure to be followed under the bill. As so revised, H. R. 3363 would provide that upon the request of the General Council, funds on deposit in the Treasury to the credit of the reimbursable loan fund may be advanced to a bonded representative of the Loan Board for deposit in a National or State bank. When loans are made, disbursements will be made from the bank depository. Disbursements for administrative expenses likewise will be made from the bank account. When repayments are made on loans, or interest or other charges collected thereon, the receipts will be deposited in the bank depository and be available for further loans or the payment of administrative expenses. The bill does not alter the requirement of section 3 of the act of August 28, 1937, that the expenses of administration may not exceed the amount received from service fees, surcharges, and interest paid on loans. Moreover, the provisions of that act would continue to govern aspects of the Klamath loan process not dealt with specifically in the bill.

This bill will place greater responsibility on the Loan Board than it now has. Loan accounting records will be maintained by the Board, and it will be responsible for making collections on loans. The bill will not disturb or alter loan-agreement contracts now in effect, on which the records will be kept and collections made by Government employees, until the contracts are repaid.

The procedure proposed by this bill is similar to that followed on loans to tribes from the revolving fund established by the act of June 18, 1934 (48 Stat. 984, 986), as amended.

I believe that H. R. 3363 should assist in improving operations of the Klamath Loan Board. I have not been entirely satisfied, either with the type of loans being made from the Klamath reimbursable loan fund, or with the collection record up to the present time. Far too many loans are being made for non-productive purposes. Although probably most of the loans made to date are collectible, payments on many of them have not been kept current, and the amount delinquent is too large. It may be that the board's dependence upon Government employees to make collections results in inadequate consideration of applications at the time some of them are approved. The following shows the delinquency record for the past 2 years:

	June 30, 1949	June 30, 1950
Unpaid balance.....	\$371,202.29	\$401,999.89
Amount delinquent.....	32,379.87	20,831.30
Percent of unpaid balance delinquent.....	8.72	5.18

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The Comptroller General and Secretary of the Treasury in reports to the Bureau of the Budget dated August 13 and October 19, 1951, respectively, noted the lack of any requirement in the bill as to the safety of the tribal funds to be deposited in banks. The Secretary of the Treasury suggested that, if the funds deposited in commercial banks are intended to be secured by the pledge of collateral security, the bill be amended to require the Secretary of the Treasury rather than the Secretary of the Interior to designate the commercial depository, which would bring the deposits within the provisions of 12 United States Code 265, and would permit the Secretary of the Treasury to require collateral security for the safekeeping and prompt payment of such funds.

I do not believe the funds of the Loan Board need security requirements in addition to those included in the proposed redraft of the bill, nor do I believe the funds should be made subject to the provisions of 12 United States Code 265. The Loan Board should be permitted to operate as nearly as possible in accordance with customary commercial procedures. It should not be handicapped by procedures that are not applicable to other lenders, and it should not be given any special privileges that are not enjoyed by other lenders, such as the pledging of collateral security for the safekeeping and prompt payment of the funds deposited in banks.

The Bureau of the Budget has advised me that there is no objection to the submission of this report to your committee.

Sincerely yours,

MASTIN G. WHITE,
Acting Assistant Secretary of the Interior.

H. R. 3363 AND S. 1174 WITH RECOMMENDED AMENDMENTS

A BILL To authorize the deposit of Klamath tribal loan funds in approved depositories.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior is authorized to advance funds from the reimbursable loan fund established by section 2 of the Act of August 28, 1937 (50 Stat. 872, 25 U. S. C., sec. 531), as amended, to a bonded officer of the Klamath Tribal Loan Board upon request of the General Council of the Klamath and Modoc Tribes and the Yahooskin Band of Snake Indians (hereinafter referred to as the "Klamath Tribes"), for deposit in a National or State bank or banks insured by the Federal Deposit Insurance Corporation and designated by the Board. Disbursements from the bank depository may be made by a bonded representative of the Klamath Tribal Loan Board for payment of administrative expenses of the Board, and for the purpose of making loans to members and associations of members of the Klamath Tribes for any purpose which will promote their economic development, for educational advancement, for financial assistance in cases of illness, death, or other emergency, and for the maintenance and support of the aged, infirm, and incapacitated members.

SEC. 2. Repayments on loans made by the Klamath Tribal Loan Board from its bank depository under section 1 of this Act, and interest, service fees, and other charges on such loans shall be deposited in the bank depository and be available for further loans by the Board, and for the payment of administrative expenses.

SEC. 3. The Secretary of the Interior shall prescribe rules and regulations with respect to advances of funds to the Board, loans by the Board, disbursements, repayments, administrative expenses, accounting records, and such other matters as may be necessary to secure the reimbursable loan fund against loss.